

**BEFORE THE POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001**

---

**Treatment of Rate Incentives and  
De Minimis Rate Increases for  
Price Cap Purposes**

---

**Docket No. RM2014-3**

**JOINT COMMENTS OF THE NATIONAL ASSOCIATION OF PRESORT MAILERS,  
THE MAJOR MAILERS ASSOCIATION AND THE ASSOCIATION FOR MAIL  
ELECTRONIC ENHANCEMENT  
(March 17, 2014)**

The National Association of Presort Mailers (NAPM)<sup>1</sup>, The Major Mailers Association (MMA)<sup>2</sup>, and The Association For Mail Electronic Enhancement (AMEE)<sup>3</sup> (collectively Joint Commenters) respectfully submit these comments on the proposed changes to the Commission's price cap rules. Experience has shown that adjustments to the price cap rules are necessary to provide more certainty to the Postal Service and the mailing industry. The price cap is the cornerstone of the modern rate system. Clear

---

<sup>1</sup> NAPM is a nonprofit organization that represents mailers, both mail owners and mailing service providers who commingle, sort and prepare quality mailings inducted and compliant with work share requirements. Representing over 100 member companies mailing in 36 states, it collectively provides approximately 35% of the total First Class mail volume and over 50% of the Full Service volume. NAPM member mail service provider companies interact with and perform mailing services for tens of thousands of clients and businesses that use postal mailing products.

<sup>2</sup> MAA membership is comprised of companies that serve the communications, utilities, insurance, banking, financial services, healthcare, government and cable/satellite industries. Although there has been diversion to electronic channels, these industries still rely primarily on the USPS for the delivery of the statements, invoices, remittance payments and other business communications.

<sup>3</sup> AMEE's member companies represent mailers, associations, and supporting vendors who have a primary interest in increasing the value and utility of First Class Mail and are engaged in developing and/or promoting technology in the area of mail electronic enhancement.

rules and consistent enforcement of the price cap benefits all stakeholders. The Joint Commenters commend the Commission for undertaking this review.

#### Treatment of Rate Incentives That Are Not Rates of General Applicability

Proposed section 3010.24 would formalize the Commission's past treatment of rate incentives that are not rates of general applicability by requiring that they be treated like negotiated service agreements (NSAs) for purposes of calculating the percentage change in rates. That treatment is reasonable and equitable. Because the same considerations apply to promotional rate incentives and NSAs, and because the promotional incentives are intended to increase revenue and contribution, there is no justification for recouping the discount as revenue foregone. Mailers that are not eligible to participate in promotional pricing initiatives should not be forced to pay higher prices because the Postal Service offers an incentive that fails to improve its financial condition. The current proposed section 3010.24 is a substantial improvement over prior proposals. The Joint Commenters support the proposed changes to section 3010.24.

#### Adjustment for Deletion of Rate Cell

Proposed section 3010.23(d)(4) specifies the procedure for the deletion of a rate cell. As proposed, the rule is intended to address the deletion of a rate cell caused by the transfer of a product from the market dominant to competitive product list, for example, Single-Piece Parcel Post. The Joint Commenters support this change, but the language of proposed section 3010.23(d)(4) should make clear that this rule only applies to situations in which a rate cell is deleted because of a product transfer, but for

no other reason. The proposed rule should specifically reference the transfer of a product to the competitive products category. The final rule should also state clearly that this proposed change does not affect the price cap treatment of a deleted rate cell for any other reason. See *e.g.*, Dkt. No. R2013-10, Order No. 1890 (Nov. 21, 2013) at 31-32 (effectively deleting automation rate cells by imposing IMb mandate would have implications for price cap calculations).

#### Deferred Calculation of Unused Rate Adjustment Authority

Proposed section 3010.23(e) establishes the procedures associated with rate incentives of general applicability. The Joint Commenters support the proposal to separately identify rate adjustments of general applicability that consist solely of rate decreases, designated as a “Type 1-C rate adjustment.”

The Joint Commenters also support proposed section 3010.6(b) which would allow the Postal Service to elect whether Type 1-C Rate Adjustments will generate unused rate adjustment authority. The Joint Commenters are concerned, however, that the proposal to allow the Postal Service to defer its election and to recoup associated unused rate authority in a future rate adjustment may reduce rate predictability and stability by complicating the unused rate adjustment calculations.

The proposed rules should be revised to require that the Postal Service make the election at the time the Type 1-C rate adjustment is requested. Alternatively, if the proposed rules allow for a deferred election, the final rule should clarify that the application of this rule is prospective only.

#### Definition of Rate of General Applicability

The definition of a “rate of general applicability” in proposed section 3010.1(g) should be clarified. The Joint Commenters are not offering alternative language at this time, but further revision is necessary. The proposed definition is not clear, and the distinction between rates of general applicability and rates not of general applicability is critical for determining the appropriate price cap treatment under the proposed rules.

The Joint Commenters appreciate the Commission’s consideration of these comments.

Respectfully submitted,

/s/ Robert Galaher  
Executive Director and CEO  
National Association of Presort Mailers  
PO Box 3552  
Annapolis, MD 21403-3552  
www.presortmailer.org  
E-mail: bob.galaher@presortmailer.org  
Phone: (877) 620-6276

Mury Salls  
President, Major Mailers Association  
11448 Chateaubriand Ave  
Orlando, FL 32836-8825  
[msalls@dstmailingservices.com](mailto:msalls@dstmailingservices.com)

John A. Sexton  
President,  
ASSOCIATION FOR MAIL  
ELECTRONIC  
ENHANCEMENT (AMEE)  
Director, Postal Process Development  
and Integration  
Pitney Bowes Presort Services  
202-270-6550  
[john.sexton@pbpresortservices.com](mailto:john.sexton@pbpresortservices.com)